



# **Government Property in The Possession of Contractors**

## **Integrated Process Team (IPT)**

**Paul Farley  
AQOE  
(703) 767-2443**



## WHAT IS DOD'S POLICY?

- **FAR 45.102 - Contractors are ordinarily required to furnish all property necessary to perform contracts.**
- **Godwin (former USD(A&T) 1986 memo - Departments and Agencies of the DoD must dispose of the old, obsolete and non-essential government property including that which is in storage, reduce the amount of property in the possession of contractors, and bring to a halt the continuing increase in new property going to contractors.**
- ➔ **Yet since 1986, government property in the possession of contractors has nearly doubled--from about \$45 billion to about 89 billion**



# CONCERNS

- **We are expending dollars buying or furnishing property that does not need to be government property.**
- **We may be expending dollar needlessly accounting for and maintaining property that no longer is needed by DoD**
- **DoD Property Administration workforce is shrinking; but their responsibilities and workload are not declining.**



# INTEGRATED PROCESS TEAM

## Government Property in the Possession of Contractors IPT Team

<b>Team Leader</b>	<b>Brad Begrmann ODUSD(IA&amp;T)</b>
<b>Team Members</b>	<b>Army, Navy, Air Force DoD (IG), DDP, DFAS, DCMC</b>



# **INTEGRATED PROCESS TEAM - CHRONOLOGY -**

- USD(A&T) announces IPT creation Feb 14**
- First IPT meeting Mar 19**
- USD(A&T) approves approach/focus Mar 31**
- Executive Review Group created Apr 24**
- IPT presented recommendations Jun 4**



# **INTEGRATED PROCESS TEAM - APPROACH -**

- **Identify the “true” problem**
- **Identify causes, not symptoms**
- **Identify alternatives for eliminating the cause**
  - **Policies**
  - **Process (business practices)**
  - **Management Tools**
- **Propose Follow-on Actions**



# **INTEGRATED PROCESS TEAM**

## **- SCOPE OF TASKING -**

- **Reduce the influx of Contractor-Acquired Property**
- **Eliminate Unneeded government property in the possession of contractors**
- **Explore property administration innovations**
- **Satisfy financial statement requirements**



# **IPT's Recommendation for Reducing the Influx of Property**

## **➤ Cease Automatically Taking Title to Tooling and Equipment**

**→ Revise FAR Part 45 to reserve the “right to title” for:**

- General Purpose Equipment costing more than the property accountability threshold**
- All Special Tooling and Test Equipment**



## **IPT's Recommendation for Streamlined Property Administration**

- **Incorporate commercial practices by expanding risk-based management**
  - **Validate contractor's processes rather than performing transaction analyses**
  - **Focus on higher-risk functions during reviews**
  - **Raise review thresholds**
  - **Decrease frequency of reviews**
  - **Streamline plant clearance**
- **Encourage contractor self oversight**



# **IPT's Recommendation for Reducing the Inventory of Property**

- Articulate Reduction Imperative**
- Modify “Roll Forward” Practice**
- Justify Retention of Tooling & Equipment**
- Modify the Screening Process**



# **IPT's Recommendation for Financial Statement Reporting**

## **➤ Reflect CPMS data as follows:**

### **➤ On the Balance Sheet:**

- Material as Operating Materials and Supplies**
- Base Services and Operation of Facilities Tooling and Equipment as General PP&E**

### **➤ In the Stewardship Report**

- All Other Tooling and Equipment as Federal Mission PP&E, or a separate category**



# IMPLEMENTING ACTIONS

- **Revise DFARS**
- **Memo Articulating Policy**
- **Revise DoD 5000.2-R and Deskbook**
- **Disposal Initiative**
- **Cost Accounting Standards Revision (?)**
- **Legislation to Streamline Screening**



# PRESENT STATUS

- **Final report not yet issued**
- **Some recommendation over taken by other events**



# MANAGEMENT REFORM MEMORANDUM #5

Disposal of Excess Government-Owned Property



# Tasking to DCMC

- What: Develop a plan that -
  - (1) Disposes of excess Government-owned property
  - (2) Eliminates property where the value does not surpass the cost of ownership
- When: By January 1, 2000
- How: Using a method developed with DoD Components



# Team Members

- Janice Hawk, DCMC, Team Leader
- John Berg, HQ AFMC/PKPA
- Martha Caswell, GSA
- Sherry Conner, GSA
- Kate Drost, DCMC General Counsel
- Patrick Duffy, DCAA
- Paul Farley, DCMC
- Ron Hodges, DoDIG
- Robert Johnson, OASN(RDA) ABM
- Eric Kattner, SAF/AQCP
- Rachel Lilley, OASA(RDA)
- Herbert Marr, U.S. Army Ind. Engr.
- Tom Ruchdaschel, MMLC



# SCOPE OF SEARCH

- **What: All types of property except military & real**
  - General Purpose Equipment
  - Material
  - Special Test Equipment
  - Special Tooling
- **Where: On all kinds of contracts\***
  - Production (\$23B)
  - Service (\$8B)
  - Facilities (\$3B)
  - RDT&E (\$4B)
  - Maintenance (\$5B)
  - Storage (\$185M)
- \* **Except contracts < \$1M**
  - 2500 contracts > \$1M = 90% of property \$

\* Note: The IPT tasking to look at facilities contracts is subsumed in here.



# Discussion Points

- Finalize Charter
- Determine Scope
- Define under-utilized versus excess
- How to incentivize contractors to identify and report excess property
- Benchmark with industries commercial property processes
- Determine the optimum method for conducting pro-active Government property utilization reviews
- How do we help PMs & COs make informed decisions about retention versus disposal
- Other disposal options



# Milestones

- |   |   |          |
|---|---|----------|
| ➤ Memo to establish team  | June 12, 1997   | Complete |
| ➤ Team established  | July 9, 1997  | Complete |
| ➤ Benchmark with Industry   | August 5, 1997  |          |
| ➤ Submit plan to DoD (C)  | August 29, 1997   |          |
| ➤ Request excess declarations<br>from contractor                          | September 15, 1997  |          |
| ➤ Issue guidance to PM/PEO/PCOs   | September 30, 1997  |          |
| ➤ Submit requests for “other” disposal<br>options to DoD (C)              | September 30, 1997  |          |
| ➤ Receive excess declarations from<br>contractors and dispose of property | Continuous process starting<br>November 30, 1997 through<br>December 31, 1997 |          |
| ➤ Perform validation of excess reporting                                  | June 30, 1998   |          |
| ➤ Final report to DoD (C)   | December 31, 1999   |          |